

FAI response to the analysis by the Scottish Government on the impact of Brexit in Scotland

Today the Scottish Government published analysis of the possible long-term impact of the decision to leave the European Union on the Scottish economy. The headline figures are substantial - a potential loss of £11.2 billion to the overall economy and £3.7 billion to the Scottish public finances.

But what does this analysis actually tell us that is new? To be honest, not very much.

The study summarises the consensus amongst academics and independent institutions of the possible long-term impact of Brexit on the UK economy and then simply - and rather crudely - applies these potential losses to Scottish GDP.

Most economists agree that Brexit will pose challenges. But what is disappointing from the Scottish Government is the lack of analysis to understand the distinct implications for Scotland. There are a number of channels where there could be important differences - for example, whether or not Scotland is more or less trade dependent on the EU than the UK as whole, the different impacts by sector given important structural differences between the UK and Scottish economies, the relative economic contribution of EU migrants in both countries, the role of international investment in boosting local productivity and how unpaid EU contributions will be distributed between Scotland and the rest of the UK.

If the intention was to obtain a large number - say perhaps in advance of another large number being published this week (!) - then the analysis will no doubt hit the mark. But in terms of improving our understanding of how Brexit may impact on Scotland it adds very little.

The First Minister indicated that the report today is the first in a series of similar publications, aimed at informing debate around Scotland's future in Europe. To ensure that Scotland's distinct interests are fully considered in the negotiation process and to properly evidence base any policy responses, understanding where the interests of Scotland may differ from those of the other parts of the UK will be crucial.